



ILLINOIS

JB Pritzker, Governor

DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Janel L. Forde, Director

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Governor Pritzker Announces Selection for the Sale of the James R. Thompson Center

*State of Illinois' effort to optimize its real estate portfolio
will result in over \$800 million in taxpayer savings*

*UPDATE: Illinois Department of Central Management Services to Hold Additional Background
Briefing for Media. RSVP for additional details*

CHICAGO - Governor JB Pritzker today announced the selection of a proposer for the sale of the James R. Thompson Center (JRTC). After a competitive Request for Proposal (RFP) process to select a purchaser for the JRTC, the State plans to enter into exclusive negotiations with JRTC Holdings, LLC for the purposes of acquiring and redeveloping the site located at 100 West Randolph Street.

Following the evaluation of submitted proposals, the State elected to move forward with a public-private partnership structure, which includes:

- An up-front payment of \$70 million to the State for the purchase of the property
- The selected purchaser preserving and substantially renovating the JRTC
- The State purchasing and occupying approximately 425,000 sq ft of newly renovated, Class-A office space at the JRTC
- The State will save approximately \$20 million a year for the next 30 years through operating cost reductions and lease consolidations alone.
- The redevelopment of the JRTC is expected to result in thousands of new construction jobs, new tax revenues for Cook County, the City of Chicago, and its sister agencies, while maintaining thousands of jobs and operations with heavy public interactions in the LaSalle Street corridor

"Today I'm proud to announce that for the first time, we're taking a massive step forward with a plan that will result in the sale of the Thompson Center and that will save taxpayers \$800 million," **said Governor JB Pritzker**. "I came into office with a promise to manage state government resources more efficiently and to support local governments. By returning vital real estate in downtown Chicago to private ownership, tens of millions in revenue will be generated for Chicago Public Schools and for property taxpayers. This is a new era of responsible governance for Illinois – one that protects our taxpayers, and fosters the jobs and opportunities that working families deserve."

From the beginning of the Pritzker administration, the Department of Central Management Services (CMS) not only prioritized completing the long-anticipated sale of the JRTC and the timely relocation of State offices and employees, it also focused on the realignment of the State's real estate portfolio and looked for consolidation opportunities to maximize space utilization in state-owned and leased properties. This effort to identify opportunities for efficiency improvements, space consolidation and the cost avoidance of deferred maintenance repairs will result in over \$800 million in taxpayer savings.

"The State can no longer afford to support unsustainable costs for the maintenance and operation of the JRTC or delay its disposition," **said Director of CMS Janel L. Forde.** "This strategic public-private partnership allows us to retain a smaller presence in the property while partnering with an established development team to transfer significant financial risk and responsibility for the much-needed capital improvements at the JRTC to a third-party."

CMS has been strategically preparing for the sale by planning practical relocation options for State tenants based on public interactions and operational needs of respective agencies, ensuring that the results of the extensive real estate and financial analyses yield the best value to the taxpayers of Illinois.

On May 3, 2021, CMS issued the RFP for the Sale of the JRTC. Two proposals were received by the deadline of October 8, 2021. CMS evaluated the technical proposals, interviewed the proposers, and requested a Best and Final Offer by December 8, 2021. Based on these evaluations, CMS determined that the proposal submitted by JRTC Holdings, LLC provided the best long-term value to the State and its taxpayers.

Due to prolonged deferred maintenance and delayed capital projects, the estimated cost to bring the JRTC into a state of good repair currently exceeds \$325 million and is projected to increase to over \$525 million, if not addressed by 2026. JRTC is costly to maintain with annual operating expenses of approximately \$17 million, largely due to the building's single-pane glass envelope. Under the proposed transaction the proposer will replace the building envelope and mechanical systems and make the necessary interior repairs to transform the building to a multi-tenant, mixed-use Class A office building.

As part of its due diligence efforts, CMS met with over 50 State agencies that occupy space in downtown Chicago, both at the JRTC and other leased office space, representing over 2,800 employees located in downtown Chicago. CMS worked to better understand these agencies' physical space needs, public interactions, operational missions, and geographic location requirements and align their future office space in a manner consistent with CMS' new space standards, made effective on September 1, 2020, and better reflect current national best practices. Through this lens, CMS determined that the State's real estate footprint in most cases could be reduced by 20-40 percent.

In January 2021, CMS acquired 555 West Monroe building for \$72.25 million as part of its effort to optimize the State's real estate portfolio. By April 2022, approximately 1,500 State employees will be relocated to 555 West Monroe.

Prior to the start of the consolidation efforts, the State leased office space in seven properties in the Loop, at an annual cost of approx. \$21.3 million in base rent and other maintenance and repair costs. Through consolidation opportunities the State will terminate six private leases by 2024 and expand partnerships in publicly owned buildings, resulting in additional savings.

The State's real estate optimization and transformation efforts were recognized in October 2021 by the National Association of State Chief Administrators (NASCA) when CMS received their Innovation in State Government Award as well as being selected as a finalists for the 2021 Real Estate Journal awards for its purchase of 555 W Monroe.

As a next step, CMS will enter into exclusive negotiation with JRTC Holdings, LLC and commence negotiation and finalization of the Purchase Sales Agreement with an anticipated execution by March 2022, ahead of the legislative deadline outlined in SB 886 (Public Act 100-1184). The closing on the property is anticipated in the Summer of 2022.

According to JRTC Holdings, LLC, the renovation to the JRTC is expected to take two years and will include replacement of the exterior curtain wall with new, energy-efficient glass, expanding the retail to the property line on LaSalle Street, enclosure of the office floors from the atrium, private lobby and dedicated secure entrance for the State offices, replacement or upgrades to the building systems including the heating, ventilation, and air conditioning, and full renovation of the State's offices on floors 2 through 7. A portion of the State workforce will remain in the building and JRTC Holdings, LLC and the State will work together to ensure continuity of State operations and retail during construction. The proposed renovations will not require any shutdown to Chicago Transit Authority operations. The developer has also committed to a minimum of 26% Minority and 6% Women Business Enterprise contract participation and developing an internship program with the general contractor.

To offer members of the press an additional opportunity to receive information about the selected proposal, CMS staff will hold a virtual media briefing this afternoon at 1:30 pm. Media interested in attending must RSVP to Cathy Kwiatkowski at cathy.kwiatkowski@illinois.gov.

About the JRTC:

Opened in 1985, the JRTC is a 17-story marble, granite, glass, and steel structure, encompassing approximately 1.2 million sq. ft. of enclosed area of which the State occupies nearly 780,000 sq. ft. The building's steel frame is topped by a cylindrical skylight, 75 ft. above the roof level. The sky-lit rotunda is 160 ft. in diameter and is surrounded by 16 floors of open office space.

About the Preferred Proposer:

JRTC Holdings, LLC is owned and controlled by Michael W. Reschke. Since 1982, Mr. Reschke has served as Chairman, Chief Executive Officer or Managing Partner of various affiliated entities that developed over \$12 billion of real estate projects across the United States. Under the leadership of Mr. Reschke, The Prime Group, Inc. became one of the pre-eminent real estate development companies in the country achieving repeated recognition for its dedication to world-class architecture, innovation, and state-of-the-art technology in its developments. Past projects including 77 W. Wacker, 180 N. LaSalle, Citadel Center, IBM Plaza, and 33 W. Monroe demonstrates their commitment to, and knowledge of, the Chicago real estate market including the Central Business District (CBD). The preferred proposer's team includes Jahn Architecture and W.E. O'Neil Construction to modernize and renovate the existing structure into a high-quality office building that places a premium on the JRTC's location and access to public transportation.

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